

Four Indicted In Bank And Wire Fraud Scheme Involving Real Estate Loan From Now-Failed Sonoma Valley Bank

FOR IMMEDIATE RELEASE

April 10, 2014

WASHINGTON – Bijan Madjlessi, David Lonich, Sean Cutting, and Brian Melland were arrested yesterday on federal charges of conspiracy, bank fraud, wire fraud, money laundering, false statements to a bank, false bank entries, and attempted obstruction of justice, announced United States Attorney Melinda Haag, Scott O'Briant, Special Agent in Charge, Special Inspector General for the Troubled Asset Relief Program, Leslie DeMarco, Special Agent in Charge, Federal Housing Finance Agency, Office of Inspector General, and Wade V. Walters, Special Agent in Charge, Federal Deposit Insurance Corporation, Office of Inspector General.

According to the Indictment returned by a federal grand jury on March 19, 2014, and unsealed yesterday, Madjlessi, 58, of Mill Valley, Calif., is alleged to have defaulted on a loan of more than \$30,000,000, which he had personally guaranteed, relating to a real estate project known as the Park Lane Villas East in Santa Rosa, Calif. Working with attorney David Lonich, 59, of Santa Rosa, Calif., Cutting, 44, of Sonoma, Calif., then-CEO of Sonoma Valley Bank, and Melland, 45, of Santa Rosa, Calif., then-Senior Vice President of Sonoma Valley Bank, as well as a nominee borrower, Madjlessi allegedly obtained a loan from Sonoma Valley Bank to purchase his own defaulted loan on the premise that the nominee was the actual borrower when, in fact, he and Lonich were the true borrowers. According to the Indictment, Cutting and Melland failed to disclose their knowledge of the true identities of the borrowers to Sonoma Valley Bank and took steps to authorize the loan. Madjlessi's nominee successfully obtained the loan from Sonoma Valley Bank and purchased the defaulted loan from a Federal Deposit Insurance Corporation contractor. Madjelssi, Lonich, and the nominee later settled litigation regarding the foreclosed loan, and Madjlessi and Lonich obtained title to the Park Lane Villas East.

The Indictment also alleges that Cutting helped Madjlessi and Lonich gain control of additional units at the Park Lane Villas East by issuing letters on Sonoma Valley Bank letterhead falsely stating that potential nominee buyers had sufficient funds at Sonoma Valley Bank for purchase. Madjlessi and Lonich are also alleged to have instructed the nominee to make false claims to federal agents and to a federal grand jury investigating the transactions.

Ultimately, Madjlessi and Lonich obtained refinancing on the Park Lane Villas East through Freddie Mac, but not before Sonoma Valley Bank failed in August 2010. Until it failed, Sonoma Valley Bank was insured by the Federal Deposit Insurance Corporation (FDIC), was a member of the Federal Home Loan Bank of San Francisco, and had received \$8.65 million in funds from the Troubled Asset Relief Program.

All four defendants were arrested yesterday in Marin and Sonoma Counties in California and made initial appearances in federal court in San Francisco. Each defendant was released on a \$250,000

bond. Defendants' next scheduled hearing will be before the Honorable Susan Illston, United States District Court Judge, on April 18, 2014 at 11:00 a.m.

An Indictment merely alleges that crimes have been committed, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt. The defendants face the following charges and maximum sentences:

DEFENDANT	CHARGES
Madjlessi, Lonich, Cutting, and Melland	One count of conspiracy to commit wire and bank fraud, in violation of 18 U.S.C. § 1349, with up to 30 years of imprisonment, 5 years of supervised release, and a fine of \$1,000,000.
Madjlessi, Lonich, Cutting, and Melland	One count of bank fraud, in violation of 18 U.S.C. § 1344, with up to 30 years of imprisonment, 5 years of supervised release, and a fine of \$1,000,000.
Madjlessi, Lonich, Cutting, and Melland	Six counts of wire fraud affecting a financial institution, in violation of 18 U.S.C. § 1343, each with up to 30 years of imprisonment, 5 years of supervised release, and a fine of \$1,000,000.
Madjlessi, Lonich, Cutting, and Melland	One count of conspiracy to make false statements to a bank, in violation of 18 U.S.C. § 371, with up to 5 years of imprisonment, 3 years of supervised release, and a fine of \$250,000.
Madjlessi, Lonich, Cutting, and Melland	One count of conspiracy to launder money, in violation of 18 U.S.C. § 1956(h), with up to 10 years of imprisonment, 3 years of supervised release, and a fine of \$250,000 or twice the derived property.
Madjlessi, Lonich, Cutting, and Melland	Twelve counts of money laundering, in violation of 18 U.S.C. § 1957, each with up to 10 years of imprisonment, 3 years of supervised release, and a fine of \$250,000 or twice the derived property.
Cutting and Melland	One count of conspiracy to misapply bank funds, in violation of 18 U.S.C. § 371, with up to 5 years of imprisonment, 3 years of supervised release, and a fine of \$250,000.
Madjlessi, Lonich, and Cutting	Five counts of false bank entries, in violation of 18 U.S.C. § 1005, each with up to 30 years of imprisonment, 5 years of supervised release, and a fine of \$1,000,000.
Madjlessi and Lonich	One count of attempted obstruction of justice, in violation of 18 U.S.C. § 1512(c), with up to 20 years of imprisonment, 3 years of supervised release, and a fine of \$250,000.

In addition, the defendants face a \$100 mandatory special assessment for each charge against them as well as potential forfeiture and restitution if convicted. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Robert David Rees is the Assistant U.S. Attorney who is prosecuting the case with the assistance of Rawaty Yim. The prosecution is the result of a three and a half year investigation by the Special Inspector General for the Troubled Asset Relief Program, the Federal Housing Finance Agency Office of Inspector General, and the Federal Deposit Insurance Corporation Office of Inspector General, with the assistance of the Marin County Sheriff's Office, the Sonoma County Sheriff's Office, and the Santa Rosa Police Department.

Further Information:

Case #: CR-14 0139 SI

A copy of this press release may be found on the website of the U.S. Attorney's Office at <http://www.justice.gov/usao/can/index.html>.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

Press inquiries to the U.S. Attorney's Office should be directed to Lili AraúzHaase at (415) 436-6811 or by e-mail at Lillian.ArauzHaase@usdoj.gov.

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